



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
RUSSELL COUNTY SHERIFF**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles M. Smith, Russell County Judge/Executive

Honorable Larry Bennett, Russell County Sheriff

Members of the Russell County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Russell County, Kentucky, as of December 31, 1998.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Russell County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

AUDIT REPORT OF
RUSSELL COUNTY SHERIFF

Calendar Year 1998

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Independent Auditor's Report

I have audited the statement of receipts, disbursements, and excess fees of the Sheriff of Russell County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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(Continued)

In my opinion, the financial statement referred to above presents fairly in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

Based on the results of my audit, I have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Have Presented An Annual Settlement To The Fiscal Court..
- The Sheriff Should Have Published An Annual Settlement Within Sixty (60) Days After Close Of Calendar Year.

In accordance with Government Auditing Standards, I have also issued a report dated December 8, 1999, on my consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

December 8, 1999

RUSSELL COUNTY
LARRY BENNETT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

<u>Receipts</u>								
State Grants:								
KLEFPF						\$	1,449	
State Fees For Services:								
Finance and Administration Cabinet							11,260	
Circuit Court Clerk:								
Sheriff Security Service				\$	6,562			
Fines and Fees Collected					3,865		10,427	
Fiscal Court							4,293	
County Clerk-Delinquent Taxes							3,392	
Commission on Taxes Collected							133,819	
Fees Collected for Services:								
Auto Inspections				\$	5,489			
Police Report					69			
Serving Papers					12,970		18,528	
Other:								
Lake Patrol				\$	16,702			
Carrying Concealed Deadly Weapon Fees					5,055			
Transporting Prisoners and Patients					3,259			
Miscellaneous					2,689		27,705	
Interest Earned							5,895	
Borrowed Money:								
State Advancement				\$	39,927			
Bank Note					35,000		74,927	
Gross Receipts (Carried Forward)								\$ 291,695

RUSSELL COUNTY
LARRY BENNETT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward)					\$ 291,695
<u>Disbursements</u>					
Operating Disbursements:					
Personnel Services-					
Deputies' Gross Salaries		\$ 99,976			
Part-time Gross Salaries		8,437			108,413
Employee Benefits-					
Employer Paid Health Insurance					10,442
Materials and Supplies-					
Office Materials and Supplies		\$ 6,106			
Uniforms		3,709			9,815
Auto Expense-					
Maintenance and Repairs					22,764
Other Charges-					
Dues		\$ 421			
Interest Paid to School		2,787			
Concealed Deadly Weapon License Fees		3,335			
Conveyance of Mental Patients		1,447			
Radio Repairs		850			
Postage		1,082			
Bond		190			
Telephone		318			
Reimbursements		309			
Miscellaneous		2,496			13,235
Debt Service:					
State Advancement		\$ 39,927			
Notes		35,000			
Interest		3,190			78,117
Total Disbursements					\$ 242,786

RUSSELL COUNTY
LARRY BENNETT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Net Receipts							\$ 48,909
Less: Statutory Maximum							48,726
Excess Fees Due County for Calendar Year 1998							\$ 183
Payment to County Treasurer							-
Balance Due at Completion of Audit							\$ 183

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official utilizes a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of fee officials is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

NOTE 2: EMPLOYEES RETIREMENT SYSTEM

The county official and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

NOTE 3: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

NOTE 4: INVESTIGATION FUND

As of December 31, 1997, the Sheriff had a balance of \$607 in his forfeited drug money account. During calendar year 1998, he received \$535 in forfeited drug moneys. Pursuant to Russell County District Court Order, these receipts are to be used in drug-related law enforcement. During the year, the Sheriff expended \$700 leaving a balance of \$442 as of December 31, 1998.

RUSSELL COUNTY
LARRY BENNETT, SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1998

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Have Presented An Annual Settlement To The Fiscal Court.

According to KRS 134.310(5) in counties containing a population of less than seventy thousand (70,000), the Sheriff shall file annually with his final settlement:

- (a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total fund received as commissions for collecting state, county, and school taxes; and
- (b) A complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. At the time he files the statements required by subsection (5) of this section, the Sheriff shall pay to the fiscal court any fees, commissions, and other incomes of his office, including income from investments, which exceed the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants. The settlement for excess fees and commissions and other income shall be subject to correction by audit conducted pursuant to KRS 43.070 or 64.810. I recommend the Sheriff comply with this statute.

Management's Response:

The Sheriff will do so in the future. The Sheriff thought he was supposed to present the settlement after the audit.

2) The Sheriff Should Have Published An Annual Settlement Within Sixty (60) Days After Close of Calendar Year.

KRS 424.220(6) requires the financial statements to be published within 60 days after the close of the calendar year. I recommend the Sheriff comply with this statute.

Management's Response:

The Sheriff will do so in the future.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Charles M. Smith, County Judge/Executive
Honorable Larry Bennett, Russell County Sheriff
Members of the Russell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Russell County Sheriff as of December 31, 1998, and have issued my report thereon dated December 8, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Russell County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations as items #1 and 2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Russell County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

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Report On Compliance And On Internal Control
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(Continued)

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

December 8, 1999